



SACHI A. HAMAI
Interim Chief Executive Officer

County of Los Angeles
CHIEF EXECUTIVE OFFICE

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"To Enrich Lives Through Effective And Caring Service"

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September 08, 2015

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

42 September 8, 2015

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:


PATRICK OGAWA
ACTING EXECUTIVE OFFICER

**BOND ANTICIPATION NOTES
AUTHORIZATION AND REIMBURSEMENT RESOLUTION
ALL DISTRICTS
(3 VOTES)**

SUBJECT

These actions will provide for interim financing of equipment acquisitions for various County departments and enable the County to maximize reimbursement for costs related to the financing of this equipment.

IT IS RECOMMENDED THAT THE BOARD:

1. Approve the issuance of short-term Bond Anticipation Notes in an aggregate amount not-to-exceed \$46,500,000 to finance the acquisition of various equipment needs through the Los Angeles County Capital Asset Leasing Corporation.
2. Adopt the Resolution of the Board of Supervisors of the County of Los Angeles Declaring its Intention to Reimburse Certain Capital Expenditures from the Proceeds of Taxable or Tax-Exempt Obligations (2015-16 Equipment Bond Anticipation Notes Program).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommended actions will allow the issuance of new short-term Bond Anticipation Notes (BANs) to provide interim financing of equipment acquisitions for various County departments in accordance with federal tax regulations and enable the County to maximize reimbursement for costs related to the financing of this equipment.

BANs Authorization for Equipment Acquisition

The recommended actions will authorize the issuance of BANs in an aggregate amount not-to-exceed \$46,500,000 to provide interim financing for equipment acquisitions by various County departments. The summary of the \$46,500,000 in authorized equipment purchases using the Los Angeles County Capital Asset Leasing (LAC-CAL) Corporation Equipment Financing Program is attached to the Reimbursement Resolution recommended for approval as part of this action.

The authorized LAC-CAL equipment financing the Board approved as part of the 2015-16 Recommended Budget was \$40,500,000. As a result of changes in departmental requests, the revised LAC-CAL equipment financing authorization is now \$46,500,000.

The BANs will be issued by LAC-CAL and purchased as an investment by the County Treasury Pool in an amount sufficient to acquire and deliver the identified equipment. Subsequently, the BANs will be redeemed and the County Treasury Pool will be reimbursed through the issuance of intermediate-term lease-revenue bonds, notes, certificates of participation, or through an equipment lease with a third-party.

Due to procurement or delivery delays, authorized LAC-CAL equipment acquisitions occasionally are received in the fiscal year following the one in which they were initiated. The BANs authorization may be carried over into a subsequent fiscal year to fund these acquisitions.

Reimbursement Resolution

In addition to the approval of the BANs issuance for equipment acquisition, we are requesting that the Board execute the attached Reimbursement Resolution, which has been approved by County Counsel. The Reimbursement Resolution is required by federal tax regulations to enable the County to be reimbursed for prior capital expenditures from the issuance of taxable and tax-exempt bonds. Execution of the Reimbursement Resolution will enable the County to maximize reimbursement for costs related to the financing of equipment for various County departments.

Internal Revenue Service Requirements

In 1991, the Internal Revenue Service (IRS) introduced regulations governing the reimbursement of expenditures from bonds or Certificates of Participation (COP) proceeds. In order to ensure the continued recovery of allowable expenditures, which are related to equipment acquisitions, the regulations require the Board to adopt a Resolution, which states the following:

- The Board's intention to finance expenditures related to equipment acquisitions;
- A statement that any such expenditures would be financed through the issuance of tax-exempt or taxable bonds or COPs;
- A qualitative description of the proposed project whose expenditures would be reimbursed from the proceeds of such an issue; and
- Identification of the expected source(s) of funds, which would initially pay for such expenditures and ultimately be utilized to repay the bond or COP obligation.

The attached Reimbursement Resolution meets IRS regulations and will allow for maximum reimbursement of County expenditures for equipment from future bond sales. Prior and current year

costs have been included to allow reimbursement from a future bond sale. A description of the proposed equipment is attached to the Reimbursement Resolution for your review.

FISCAL IMPACT/FINANCING

Approval of the recommended actions will enable the County to issue BANs to provide interim financing for equipment acquisition and maximize reimbursement of County expenditures for equipment from future bond sales. Repayment of equipment financing has a term determined by the useful life of the asset (between three to five years). The Auditor-Controller collects monthly payments from departments utilizing the program. Funding for equipment financing payments due in 2015-16 has been included in the Final 2015-16 Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The attached Reimbursement Resolution has been approved by County Counsel.

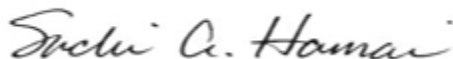
IMPACT ON CURRENT SERVICES (OR PROJECTS)

The recommended actions will ensure the continuation of the County's long-standing LAC-CAL Equipment Program.

CONCLUSION

Upon approval of the recommendations, please forward an adopted copy of this Board letter and an executed copy of the Reimbursement Resolution to the Chief Executive Office, Capital Programs Division.

Respectfully submitted,



SACHI A. HAMAI

Interim Chief Executive Officer

SAH:TT:BMB

FC:LQ:rp

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Treasurer and Tax Collector

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE
COUNTY OF LOS ANGELES DECLARING ITS INTENTION TO
REIMBURSE CERTAIN CAPITAL EXPENDITURES FROM THE
PROCEEDS OF TAXABLE OR TAX-EXEMPT OBLIGATIONS
(2015-16 EQUIPMENT BANs PROGRAM)

WHEREAS, from time to time the County of Los Angeles (the "County") desires and intends to undertake the purchase of tangible personal property having a useful life of three years or more (the "Equipment"), as set forth in the schedule attached hereto; and

WHEREAS, no funds of the County or of any other entity which is a part of the controlled group of which the County is a part (the "Controlled Group") as such term is defined in Section 1.150-1 of the regulation of the United States Treasury under the Internal Revenue Code of 1986, as amended (the "Treasury Regulations") are, or are reasonably expected to be, allocated, reserved or otherwise set aside in the County's budget or in the Controlled Group's budget on a long-term basis to pay the costs of the Equipment; and

WHEREAS, the costs of the Equipment will initially be paid from the proceeds of Bond Anticipation Notes ("BANs") issued by the Los Angeles County Capital Asset Leasing Corporation ("LAC-CAL") and purchased by the Treasurer and Tax Collector of the County; and

WHEREAS, the costs of the Equipment paid with the proceeds of the BANs are expenditures of a type which are properly chargeable to a capital account under general federal income tax principles in connection with the Equipment, and

WHEREAS, the County expects to issue taxable or tax-exempt bonds, notes, or certificates of participation, or enter into a tax-exempt lease with a third-party lessor ("Obligations") to redeem the BANs and reimburse the capital expenditures of the County with respect to the Equipment which were paid with the proceeds of the BANs; and

WHEREAS, upon issuance of the Obligations, the County will: (1) evidence the reimbursement allocation with an entry in the books or records which it maintains with respect to the Obligations, (2) identify in such entry the actual prior expenditure being reimbursed or the fund from which the expenditure was paid, and (3) be relieved of any restrictions under the relevant legal documents and applicable state law with respect to the amount received as reimbursement as a result of the reimbursement allocation; and

WHEREAS, this Resolution will be reasonably available for public inspection within a reasonable period of time after its date of adoption and in the same manner governing the public availability of records of other official acts of the County Board of Supervisors; and

WHEREAS, this Resolution is intended to be a "declaration of official intent" in accordance with Section 1.150-2 of the Treasury Regulations;

NOW, THEREFORE, this Board does find, resolve, determine and order that in accordance with Section 1.150-2 of the Treasury Regulations, the County declares its intention to issue Obligations to finance the Equipment in an amount not to exceed \$46,500,000 the proceeds of which will be used to reimburse the County for capital expenditures paid for the Equipment prior to the issuance of said Obligations.

The foregoing resolution was on the 8th day of September, 2015 adopted by the Board of Supervisors of the County of Los Angeles and *ex-officio* the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.



PATRICK OGAWA, Acting Executive Officer,
Board of Supervisors of the County
of Los Angeles

By

Deputy

APPROVED AS TO FORM:

MARY C. WICKHAM
INTERIM COUNTY COUNSEL

By

Principal Deputy County Counsel

SCHEDULE ATTACHMENT

TO

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES DECLARING ITS INTENTION TO REIMBURSE CERTAIN CAPITAL EXPENDITURES FROM THE PROCEEDS OF TAXABLE OR TAX-EXEMPT OBLIGATIONS (2015-16 EQUIPMENT BANs PROGRAM)

LOS ANGELES COUNTY CAPITAL ASSET LEASING (LAC-CAL) ACQUISITION EQUIPMENT PROGRAM Summary of Authorized Transactions/Financing Uses by Department - All Funds

Department	Equipment Category	Anticipated 2015-16 Acquisitions
General Fund		
Beaches and Harbors	Vehicles	\$ 617,000
Beaches and Harbors	Heavy Maintenance Equipment	633,000
Internal Services	Computers, Midrange	6,151,000
Sheriff	Vehicles	<u>35,100,000</u>
Total General Fund		\$ 42,501,000
Hospital Enterprise Funds		
LAC+USC Healthcare Network	Medical-Major Movable Equipment	\$ 1,433,000
LAC+USC Healthcare Network	Medical-Fixed Equipment	98,000
Rancho Los Amigos NRC	Medical-Fixed Equipment	1,066,000
Rancho Los Amigos NRC	Non-Medical Lab/Testing Equipment	75,000
ValleyCare Network	Medical-Fixed Equipment	925,000
ValleyCare Network	Medical-Major Moveable Equipment	184,000
ValleyCare Network	Machinery Equipment	101,000
ValleyCare Network	Office Furniture, Fixtures and Equipment	<u>117,000</u>
Total Hospital Enterprise Funds		\$ 3,999,000
Total Financing		\$ 46,500,000

The equipment identified on this page reflects County equipment requirements to be financed through the LAC-CAL Corporation in 2015-16. The Board has not allocated, reserved or otherwise set aside any funds in the County's 2015-16 Adopted Budget to purchase the equipment identified above.

It is officially the intention of the Board that the acquisition of such equipment be initially funded through the issuance of Bond Anticipation Notes (BANs) or another short-term financing mechanism. The BANs will be issued by the LAC-CAL Equipment Program and purchased as an investment by the County Treasury Pool in an amount sufficient to acquire and deliver the identified equipment. Any such costs, which are initially funded by BANs, will be properly capitalized under general federal income tax principles.

Further, the Board expects the outstanding BANs to be redeemed and the County Treasury Pool to be reimbursed, through the issuance of taxable or tax-exempt, intermediate-term lease revenue bonds, certificates of participation, or through a lease with a third-party lessor. The amounts specified above represent the maximum principal amounts of such intermediate-term obligations to be issued for the

specified equipment.

These official intentions of the Board with respect to the LAC-CAL Equipment Program have been specified in accordance with U.S. Treasury Regulation 1.150-2.